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C O N F I D E N T I A L SECTION 01 OF 02 BAGHDAD 002659

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SUBJECT: CORRECTED VERSION: ANTI-CORRUPTION UPDATE OCTOBER
2, 2009

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Classified By: ACCO Joseph Stafford, reason 1.4 (b and d)

(SBU) SUMMARY. Recent focus by the Commission on Integrity (COI) on validating credentials of government employees has expanded to other public documents, i.e., forged deeds that are now being investigated in Basra. Also in Basra, media reports alleged widespread bribe-taking by local police, who are also reportedly being pressured by local political parties. The COI convened a daylong forum to highlight a new initiative aimed at improving media coverage of corruption cases. In the business world, stock purchases by the KRG in the Norwegian oil company DNO have prompted investigations and caused the KRG to suspend DNO's operations in the north. Other media reports allege that money laundering in the north could contribute to corruption within the KRG government. END SUMMARY.

¶2. (SBU) On September 15, ACCO members attended a conference hosted by the Iraqi Commission on Integrity (COI) to highlight a new program that COI is conducting with support from the International Federation of Journalists. Commission chair Judge Raheem al-Ugaily pressed representatives of Iraq's media to adopt professional codes of conduct and avoid stories that simply sensationalize the issue of corruption. He claimed that Iraqi media report without nuance, looking for simple headlines without providing any context. Examples, he said are stories that equate numbers of cases with absolute levels of corruption in ministries, without comparing the relative size of either budgets or workforces. Judge Raheem observed that the Ministry of Education, with the largest number of government employees in Iraq, may have the smallest percentage of cases per workers, but might be expected to have a relatively high number of investigations. The media, he alleged, are oblivious to such detail and thus mislead the public. He said the COI is setting up a new office to provide routine briefings for journalists on key anti-corruption initiatives and specific cases. Media representatives on hand pressed for better protection from harassment and threats (COMMENT: ironically, the meeting was interrupted by a reporter with a bloody cheek, who complained privately to Raheem he had just been beaten by the police). The journalists agreed broadly that parliament's failure heretofore to pass a law providing better protection for the media hinders their reporting on key corruption cases.

¶3. (SBU) On September 21, Al-Iraq News claimed that security forces in Basra routinely participated in corruption and extortion. The agency interviewed one police colonel, speaking under an alias, who said that every police and army unit in Basra was controlled by a political party that elevated its narrow partisan interests above those of the state. The colonel said that police and security elements tolerate illegal actions by militias and party leaders, and said police take bribes, often in the form of cell phone cards. Also in Basra, the Iraqi News Agency reported on September 26 that hundreds of forged property deeds facilitated the illegal transfer of residential plots by the

director of the land registration office in one of the districts in the northern part of the governorate. According to the media, the director was fired and arrested; the provincial office of the COI was reportedly continuing to investigate the forged documents. (COMMENT: The COI's investigation of forged documents is not confined to property deeds; per reftel, the COI recently published a "blacklist" of public employees hired on the basis of educational and Qof public employees hired on the basis of educational and other documents that the COI determined were falsified. END COMMENT.)

14. (C) According to Western and local media, on September 18, the Oslo Stock Exchange reported that in 2008, Norwegian oil company DNO International sold shares worth \$35 million to the KRG minister of natural resources, Ashti Hawrami. (NOTE: DNO is developing the KRG's Tawki oilfield, which produces approximately 40,000 bpd, currently the only field with daily output in the KRG region. END NOTE.) Media reports indicate that the shares were subsequently transferred to DNO's partner in the Kurdish investments, Turkish company Genel Enerji. Pursuant to the announcement, DNO's shares dropped almost 50% and the KRG suspended DNO's operations for six weeks, transferring operations to Genel Enerji and demanding that DNO clear the name of the KRG. In press statements, KRG authorities denied allegations of corruption surrounding the KRG official's purchase of the DNO shares, insisting the payments were legal initiatives to improve the company's financial standing and thereby assist it with additional investments in northern Iraq. On September 26, a member of the Iraqi Parliament called for an investigation into the case. (COMMENT: The KRG is taking a strong stand on the DNO case to protect its reputation

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heretofore as the best place in Iraq to invest, but the publicity and possibility of further legal action is likely to generate further blowback. END COMMENT)

15. (SBU) On September 27, an Iraqi media outlet, Voices of Iraq, reported that a new book by Iraqi author Mohammed Omar Hassan explored money laundering in Iraq, and speculated that the problem is on the rise in the KRG, especially since 2004. In his book, Hassan asserts that the KRG did not have a law prohibiting money laundering, however, he said his research -- which included several case studies and interviews with over 150 people -- showed that judges who were trying criminal cases in Dohuk's courts revealed substantial laundering of assets through banks in the KRG area. The author, according to the article, also speculated that this laundering was fueling corruption inside the KRG.

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